Futong Technology Development Holdings Limited
富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2014 amounted to approximately RMB3,101.3 million (2013: approximately RMB3,699.1 million), representing a decrease of approximately 16.2% as compared with the corresponding period in 2013.

- Profit attributable to owners of the Company for the year ended 31 December 2014 amounted to approximately RMB34.4 million (2013: approximately RMB42.1 million), representing a decrease of approximately 18.5% as compared with the corresponding period in 2013.

- Basic earnings per share for the year ended 31 December 2014 amounted to approximately RMB0.11 (2013: approximately RMB0.14).

- The Board recommends the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2014 (2013: HK5.0 cents per share).

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Futong Technology Development Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 together with comparative audited figures for the corresponding period in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		Year ended 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**3,101,298**	3,699,123
Cost of sales and services		**(2,812,397)**	(3,412,052)
Gross profit		**288,901**	287,071
Other income and gains	*6*	**18,443**	17,185
Other losses	*6*	**(18,028)**	(7,677)
Selling and distribution expenses		**(134,884)**	(132,902)
Administrative expenses		**(46,333)**	(52,353)
Profit from operations		**108,099**	111,324
Finance costs	*7(a)*	**(57,405)**	(52,964)
Share of losses of associates		**(3,717)**	(5,130)
Profit before tax		**46,977**	53,230
Income tax expenses	*8*	**(12,852)**	(11,164)
Profit for the year and total comprehensive income for the year	*7*	**34,125**	42,066
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**34,363**	42,147
Non-controlling interests		**(238)**	(81)
		34,125	42,066
Earnings per share			
— Basic and diluted (RMB)	*10*	**0.11**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

		At 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*11*	**29,050**	32,744
Interest in associates		**13,993**	22,009
Deferred tax assets		**23,232**	23,211
Total non-current assets		**66,275**	77,964
Current assets			
Inventories		**271,019**	487,051
Trade and other receivables	*12*	**1,169,550**	1,335,625
Short term investments	*13*	**42,550**	—
Pledged deposits		**218,888**	202,190
Bank balances and cash		**278,414**	273,465
Total current assets		**1,980,421**	2,298,331
Current liabilities			
Trade and other payables	*14*	**737,311**	1,038,946
Bank borrowings		**748,356**	791,124
Tax payable		**2,689**	9,753
Total current liabilities		**1,488,356**	1,839,823
Net current assets		**492,065**	458,508
NET ASSETS		**558,340**	536,472
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**524,892**	502,786
Attributable to owners of the Company		**552,307**	530,201
Non-controlling interests		**6,033**	6,271
TOTAL EQUITY		**558,340**	536,472

1. GENERAL INFORMATION AND GROUP REORGANISATION

Futong Technology Development Holdings Limited (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

Its immediate parent and also ultimate parent is China Group Associates Limited (incorporated in the British Virgin Islands (the "BVI''). Its ultimate controlling party is Mr. Chen Jian, who is also the chairman and executive Director of the Company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the provision of enterprise IT infrastructure products, services and solutions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new Interpretation and amendments to International Financial Reporting Standards ("IFRSs'') issued by the International Accounting Standards Board ("IASB"):

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except for IFRS 9 and IFRS 15, the directors anticipate that the application of the above new standards, amendments to standards or interpretation will have no material impact on the consolidated financial statements of the Group.

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 9 *Financial Instruments* *(Continued)*

Key requirements of IFRS 9 are:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amotised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 15 *Revenue from Contracts with Customers*

In 2014, IFRS15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e, when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE

Revenue represents revenue arising on sale of enterprise IT products and provision of services for the year. The amount of each significant category of revenue recognised during the year is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Sales of goods	**2,827,869**	3,443,914
Provision of services	**273,429**	255,209
	3,101,298	3,699,123

5. SEGMENT REPORTING

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the senior executive management of the Company, the chief operating decision maker, in order to allocate resources and to assess performance.

The chief operating decision maker considers that the operation of the Group constitutes a single operating segment as the revenue and profit are derived entirely from the provision of enterprise IT products and services to the customers in the PRC. Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to the senior executive management of the Company for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

The Group's customer base is diversified and there are no customers whose transactions have exceeded 10% of the Group's revenue in 2014.

6. OTHER INCOME, GAINS AND OTHER LOSSES

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**11,314**	4,566
Government grants *(note)*	**1,918**	2,173
Foreign exchange gains	**4,281**	10,044
Others	**930**	402
	18,443	17,185
Other losses		
Loss on disposal of property, plant and equipment	**(464)**	(243)
Impairment loss on trade receivables	**(17,250)**	(5,985)
Loss on deemed disposal of partial interest in an associate	**—**	(1,321)
Others	**(314)**	(128)
	(18,028)	(7,677)

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

7. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	**57,405**	52,964
(b) Staff costs (including directors):		
Salaries and allowances	**96,157**	96,903
Contributions to retirement benefit schemes	**10,384**	10,109
Equity-settled share-based payment	**—**	87
	106,541	107,099

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a 13% to 22% of payroll costs (subject to a cap) to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

The total cost charged to income of RMB10,384,000 (2013: RMB10,109,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2014. As at 31 December 2013 and 2014, the amount due but not paid to the schemes is insignificant.

(c) Other items:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Depreciation	**7,402**	8,249
Auditors' remuneration	**2,166**	2,208
Cost of inventories recognised as an expense	**2,572,577**	3,198,570

8. INCOME TAX EXPENSES

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**6,207**	4,209
	6,207	4,209
Current tax — PRC income tax		
Provision for the year	**3,424**	5,851
Additional provision *(note (iv))*	**3,242**	—
	6,666	5,851
Deferred tax		
Current year	**(21)**	1,104
	12,852	11,164

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(iii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(iv) During the current year, a subsidiary of the Company operating in China has received a tax notice from relevant tax authority for suspending its entitlement to the preferential income tax rate of 15% that was originally applicable to calendar years 2013 and 2014 respectively upon a tax investigation and dispute regarding the compliance with certain regulations on managing VAT invoices that were prevailing in China in 2012. According to the notice, in the current year, the subsidiary has made an additional provision for income tax using income tax rate of 25% for calendar year 2013. In December 2014, the subsidiary has been granted with the qualification of high-tech enterprise for calendar year 2014 and, in the opinion of the directors of the Company, the subsidiary is subjected to a preferential income tax rate of 15% for calendar year 2014 upon the grant of the qualification. The subsidiary has submitted an application to and is in the progress of confirming the use of such preferential income tax rate with the relevant tax authority.

9. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year: 2013 final — HK5.0 cents, equivalent to RMB4.0 cents (2012 final dividend: HK5.0 cents, equivalent to RMB4.0 cents) per share	**12,257**	12,427

Subsequent to the end of the reporting period, a final dividend of HK4.0 cents (approximately equivalent to RMB3.2 cents) per share in respect of the year ended 31 December 2014 (2013: final dividend of HK5.0 cents (approximately equivalent to RMB4.0 cents per share), totaling approximately HK$12,450,000 (approximately RMB9,806,000) (2013: HK$15,563,000 approximately RMB12,257,000) based on the total number of issued ordinary shares as at the date of issuance of these consolidated financial statements, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2014	2013
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**34,363**	42,147
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**311,250**	311,250

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the Company's shares for 2014 and 2013.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2014, the Group spent RMB4,716,000 (2013: RMB4,057,000) to acquire leasehold improvements, furniture, fittings and equipment.

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**1,090,645**	1,252,148
Less: allowance for doubtful debts	**(34,945)**	(17,695)
	1,055,700	1,234,453
Bills receivables	**46,101**	39,130
Prepayments *(note (i))*	**42,720**	50,798
Deposits *(note (ii))*	**22,452**	8,702
Other receivables	**2,577**	2,542
	1,169,550	1,335,625

Notes:

(i) Prepayments consist of advance payments made to suppliers for purchases of inventory and other prepaid expenses.

(ii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.

(iii) Aging analysis

The Group allows an average credit period of 30-90 days to its trade customers. For certain major customers such as the state owned enterprises, the credit term will be negotiated by the management with the major customers on an individual basis. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the relevant due date at the end of the reporting period.

	2014	2013
	RMB'000	*RMB'000*
Current	**815,747**	933,392
Less than 1 month past due	**87,461**	136,420
1 to 3 months past due	**67,905**	98,455
More than 3 months	**130,688**	105,316
Amounts past due	**286,054**	340,191
	1,101,801	1,273,583

13. SHORT TERM INVESTMENTS

	2014	2013
	RMB'000	*RMB'000*
Structured deposits	**42,550**	—

Structured deposits represent investments in financial products issued by banks in the PRC which are principal-protected with a maturity period of around 180 days at interest rates which are linked to specific exchange rates. The structured deposits are measured at amortised cost in the condensed consolidated financial statements. In the opinion of the directors, the fair values of the embedded derivatives in the structured deposits are insignificant on initial recognition and at the end of the reporting period. The structured deposits are totally settled in January 2015.

At 31 December 2014, the carrying amount of structured deposits which have been pledged as security for the borrowing is RMB42,550,000 (31 December 2013: nil).

14. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**319,389**	448,732
Bills payable	**223,223**	395,492
Receipts in advance	**138,622**	149,966
Other payables and accruals	**56,077**	44,756
	737,311	1,038,946

All of the above balances are expected to be settled within one year.

(a) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014	2013
	RMB'000	*RMB'000*
0-60 days	**147,660**	425,659
60-90 days	**86,486**	5,516
Over 90 days	**85,243**	17,557
	319,389	448,732

(b) Bills payable are normally issued with a maturity of not more than 120 days. The bills payable were secured by leasehold land and buildings with carrying amount of RMB19,654,000 (2013: RMB 20,142,000) and pledged deposit of RMB90,668,000 (2013: RMB84,055,000) as at 31 December 2014. The available unutilised facility for issuance of bills at 31 December 2014 was approximately RMB137,957,000 (2013: RMB12,310,000).

(c) The average credit period on purchases of goods was 30-90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of enterprise IT infrastructure products, services and solutions in the PRC where it is one of the industry leaders. The Group is also participating in the research and development and sales of a series of its self-branded enterprises IT software and hardware products. The globally renowned enterprises, IBM, Oracle, Huawei, EMC, Apple, and SAP etc., are important partners of the Group for many years.

Currently, the PRC Government's requirements of independence and ability to control of IT products has gradually become increasingly strict, and demands by customers regarding their IT systems are also maturing, which has led to the decline in sales revenue of items among products for which we act as agents. However, the Group has made timely adjustments by investing substantial manpower to carry out research and development as well as innovation of our self-branded software and hardware IT products, in order to adapt to the market changes.

Sales of IBM's products

For the year ended 31 December 2014, revenue from the sales of IBM's hardware and software products including enterprise servers, system storage products and middleware, and which are often bundled with value-added services, amounted to approximately RMB1,596.3 million (2013: approximately RMB2,204.8 million), a decrease of approximately RMB608.5 million or 27.6%. The drop in sales of IBM's products was mainly due to the effect of the restructuring brought about by the sale of the low-end x86 enterprise server business of IBM and the PRC government's policy of promoting the use of domestic branded of enterprise IT products due to information security concerns.

The sales of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 51.5% of the Group's total revenue for the year ended 31 December 2014 (2013: approximately 59.6 %).

Revenue from sales of IBM's enterprise servers amounted to approximately RMB1,097.5 million (2013: approximately RMB1,483.6 million), a decrease of RMB386.1 million or 26.0% compared with last year. Revenue from sales of IBM's system storage products and related services recorded a decrease of approximately RMB69.9 million or 24.5% to approximately RMB215.9 million (2013: approximately RMB285.8 million). Sales of IBM's software and related services recorded a decrease of RMB152.5 million or 35.0% to approximately RMB282.9 million (2013: RMB435.4 million).

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the year ended 31 December 2014, sales of Oracle's products and related services amounted to approximately RMB429.0 million (2013: approximately RMB365.8 million), representing an increase of approximately RMB63.2 million or 17.3% as compared with last year. These sales accounted for approximately 13.8% of the Group's total revenue (2013: approximately 9.9%).

Sales of Huawei's products

With the continuing maturity in domestic IT products and the growing market demand for these products, revenue from sales of Huawei's products has continued to grow and is becoming one of the core revenue sources of the Group. This business included the sales of servers, storage and IT security solutions, which recorded a dramatic increase of approximately RMB245.7 million or 98.0% to approximately RMB496.5 million for the year (2013: approximately RMB250.8 million). These sales accounted for approximately 16.0% of the Group's total revenue (2013: approximately 6.8%).

Sales of EMC's products

For the year under review, the revenue derived from distribution of EMC's products, and the provision of related value-added services including software development, business consulting and implementation services based on EMC storage virtualisation and business continuity solutions amounted to approximately RMB122.7 million (2013: approximately RMB238.6 million), a decrease of approximately RMB115.9 million or 48.6% as compared to the corresponding period in 2013. The drop in the revenue from sales of EMC's products was because the Group has deliberately stopped the direct distribution of EMC's products and changed our direction by focusing on the value-added services and system integration with EMC products which are figured for our ultimate customers with even higher profit margins.

Sales of Apple's products

For the year 2014, revenue from sales of Apple's products amounted to RMB62.6 million (2013: RMB332.8 million). The Group has deliberately suspended the distribution of Apple's products during the year in line with the transformation of the Group. However, the Group continues seeking other cooperation opportunities to partner with Apple and other renowned IT leaders in the market to carry out other possible valued-added or customised IT services.

Sales of other products

Other sources of revenue for the Group included sales of other software and IT accessories. Revenue from these sources also recorded a significant increase of approximately RMB69.7 million or 136.4% to approximately RMB120.8 million for the year (2013: approximately RMB51.1 million).

Provision of services

During the year ended 31 December 2014, the Group continued to strengthen and restructure its IT technical support service team intending to bolster the Group's IT service capability in the PRC to better meet the rapidly changing needs of end-users. The revenue contributed from provision of services during the year continued to grow by around RMB18.2 million or 7.1% as compared to the corresponding period in 2013, reaching approximately RMB273.4 million (2013: approximately RMB255.2 million) and representing approximately 8.8% of the Group's total revenue (2013: approximately 6.9%).

FINANCIAL REVIEW

Revenue

For the year under review, the revenue of the Group decreased by approximately RMB597.8 million or 16.2% as compared to the corresponding period in 2013, to approximately RMB3,101.3 million (2013: approximately RMB3,699.1 million). It was mainly due to the decrease in sales of products of IBM, Apple and EMC, nevertheless, the dramatic increase in sales of products of Huawei has helped to compensate for part of the loss in such sales. The management expected that in the aftermath of the PRC Government's policies of encouraging the use of domestic-branded IT products, these products will feature more prominently in the sales mix of the Group.

Gross profit

Gross profit of the Group increased by approximately RMB1.8 million or 0.6%, from approximately RMB287.1 million for the year ended 31 December 2013 to approximately RMB288.9 million for the year ended 31 December 2014. The gross profit margin also recorded an increase from 7.8% to 9.3%. Such improvements can be attributable to the Group's continues efforts in exploring the needs of each single customer through detailed communication, as well as our diversification of products to cater for the market changes.

Other income, gains and other losses

It comprises mainly of interest income on bank deposits, foreign exchange gain, government grants and impairment loss on trade receivables. The net gain from other income, gains and other losses decreased by approximately RMB9.1 million from approximately RMB9.5 million (the comparative figures for the year ended 31 December 2013 has been restated, the impairment loss on trade receivables of approximately RMB6.0 million was reclassified from administrative expenses to better reflect its nature) to approximately RMB0.4 million, it was mainly due to the decrease in foreign exchange gains of approximately RMB5.8 million as there was a lower appreciation of Renminbi against United States dollars ("USD") during the year as compared to the corresponding period in 2013. In view of the fluctuation in currency exchange rate between RMB and USD during the year, the Group decided to defer the inter-group trade receivables settlement via exchange of RMB to USD to settle the trade payables to avoid immediate exchange impact, as the Group believed that the acute fluctuation in RMB during the year was temporary and will recover gradually in a short period of time. Therefore, the Group has arranged the PRC subsidiaries to pledge the RMB deposits to the domestic banks as securities to obtain a cheaper source of USD financing in Hong Kong. Such financing arrangement benefits the Group in two ways, that the Group can enjoy a lower cost of financing and at the same time avoid the low exchange rate at that moment. The Group has obtained short-term bank borrowings under such arrangement amounted to approximately RMB322.1 million (original currency of USD52.4 million) during the year, and the outstanding balance of such borrowings as at 31 December 2014 amounted to RMB84.0 million (USD13.7 million), all these outstanding balances have been fully settled by the end of January 2015. Apart from the exchange rate factors, there was an increase in the impairment loss on trade receivables of approximately RMB11.3 million because the management would like to adopt a prudent position toward the collectability of trade receivables and at the same time imposed stringent control on the collectability review prior to the entering of the sales transactions. Nevertheless, it was partly compensated by the increase in interest income of approximately RMB6.7 million which was mainly due to the interest income earned from the pledged deposits as mentioned above.

Selling and distribution expenses

For the year ended 31 December 2014, the selling and distribution expenses of the Group amounted to approximately RMB134.9 million, an increase of approximately RMB2.0 million or 1.5% compared to the corresponding period in 2013. The increase was mainly due to the increase of staff cost of approximately RMB3.2 million in relation to the adjustment on the structure of the technical and sales teams to cope with the changes in the industry environment and customer demands

Administrative expenses

Administrative expenses of the Group decreased by approximately RMB6.0 million or 11.5%, from approximately RMB52.4 million (restated, as mentioned under the heading "Other income, gains and other losses" above) for the year ended 31 December 2013 to approximately RMB46.3 million for the year. The decrease was mainly due to the decrease in staff cost and professional service fee of approximately RMB2.8 million and RMB1.6 million, respectively, other administrative expenses also decreased in general.

Finance costs

Finance costs of the Group increased by approximately RMB4.4 million or 8.4% from approximately RMB53.0 million for the year ended 2013 to approximately RMB57.4 million for the year ended 31 December 2014. The increase was mainly due to increase in the borrowing amounts during the year to support financing of the operations of the expanding business, many of the loans then borrowed were under the financing arrangement as described above under the heading "Other income, gains and other losses", the relevant onshore deposits pledged also generated considerable interest income as an offset to the increase in the finance cost.

Income tax expenses

With reference to the tax issue mentioned in the 2014 interim report under the section "Management Discussion and Analysis" with heading "Income Tax Expenses", the Group is pleased to announce that the qualification of Advanced and New Technology Enterprises of Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") was restored on 12 December 2014. Pursuant to the relevant regulations, upon passing the review of Advanced and New Technology Enterprises, Futong Dongfang will be able to enjoy preferential tax policy of the state in relation to Advanced and New Technology Enterprises for three consecutive years commencing from the year 2014, and will pay the enterprise income tax at the preferential rate of 15%. Further disclosure related to this tax issue is set out in note 8(iv) to the financial statements.

The increase of income tax expense of approximately RMB1.7 million for the year was mainly due to the corporate income tax short-fall of year 2013 paid in accordance with the standard corporate income tax rate 25% of approximately RMB3.2 million was not refunded by relevant tax bureau in relation to the tax issue.

Profit for the year attributable to owners of the Company

For the year ended 31 December 2014, the profit attributable to owners of the Company decreased by approximately RMB7.8 million or 18.5%, from approximately RMB42.1 million to approximately RMB34.4 million. The decrease was mainly due to the combined effects of the decrease in other income, gains and other losses and the increase in finance costs as above-mentioned.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2014, the Group had total assets of approximately RMB2,046.7 million and net assets of approximately RMB558.3 million (31 December 2013: approximately RMB2,376.3 million and approximately RMB536.5 million, respectively). The Group's cash and cash equivalents as at 31 December 2014 amounted to approximately RMB278.4 million (approximately RMB273.5 million as at 31 December 2013). The Group had invested in certain principal guaranteed short-term investments as at 31 December 2014 amounted to approximately RMB42.6 million (31 December 2013: nil) which has been pledged to obtain short-term bank borrowings. Pledged deposits amounted to approximately RMB218.9 million (31 December 2013: approximately RMB202.2 million) of which RMB128.1 million (31 December 2013: approximately RMB112.3 million) has been pledged for bank borrowings. Bank borrowings amounted to approximately RMB748.4 million (31 December 2013: approximately RMB791.1 million), among which RMB84.0 million (USD13.7 million) were short-term bank loans borrowed during the year under the arrangement as described under the heading "Other income, gains and other losses". Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2014, approximately 7.0% (31 December 2013: approximately 9.5%) of total bank borrowings were at fixed interest rates.

As at 31 December 2014, bank loans of the Group were advanced in Renminbi and United States dollars while cash and cash equivalents were held at Renminbi, United State dollars and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2014, certain assets of the Group with carrying value of approximately RMB281.1 million (31 December 2013: approximately RMB222.3 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 31 December 2014 was approximately 54.7 % (as at 31 December 2013 was 75.6%). As those deposits and short-term investments that has been pledged to the banks were for the purpose of obtaining the bank borrowings, and hence should be included as a factor to calculate the ratio, therefore, commencing from this year, this ratio was calculated as total bank borrowings less bank balances and cash, and relevant pledged deposits and short-term investments divided by total equity.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

As at 31 December 2014, the Group did not enter into any hedging arrangements. However, the management has performed some measures, which has been described under the heading "Other income, gains and other losses", to avoid the immediate impact of acute fluctuation in RMB verse USD exchange rate during the year. The management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2014 to shareholders whose names appear on the register of member of the Company on 27 May 2015. The proposed final dividend will be paid on or about 10 June 2015, following approval by the shareholders in the 2015 annual general meeting ("2015 AGM").

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed during the following periods:

To determine the identity of shareholders who are entitled to attend and vote at the 2015 AGM

Latest time for lodging transfers:	4:00 pm on Tuesday, 12 May 2015
Closure of register of members:	Wednesday, 13 May to Friday, 15 May 2015 (both dates inclusive)
Record date:	Friday, 15 May 2015
Date of 2015 AGM:	Friday, 15 May 2015

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers:	4:00 pm on Thursday, 21 May 2015
Closure of register of members:	Friday, 22 May to Wednesday, 27 May 2015 (both dates inclusive)
Record date:	Wednesday, 27 May 2015
Payment date for final dividend:	on or about Wednesday, 10 June 2015

No transfer of shares will be registered during the above periods when the Company's register of members is closed.

In order to be eligible for attending and voting at the 2015 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and the transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2015 AGM of the Company will be held on Friday, 15 May 2015. Notice of 2015 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and dispatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 520 (31 December 2013: 527) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB106.5 million (2013: approximately RMB107.1 million).

The Group's employees are remunerated by reference to industry practices and performance and experience of individual employees. Our main focus is to ensure that the Group remains competitive within the market it operates in, to ensure we attract and retain the right talent necessary to grow the business and maximise shareholders' value. We place great emphasis on the development of our people as we firmly believe they are the core to the Group. Through our ongoing training programme, we encourage them to develop their talents and to move up the organisation. We believe these will be mutually beneficial to the Group and its employees.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2014, the Group had used approximately RMB10.7 million for set up of new branch offices, approximately RMB25.5 million for sourcing new enterprise IT products, approximately RMB15.3 million for establishment and expansion of IT solution support centres, approximately RMB10.2 million for set up of training centers and approximately RMB10.2 million for general working capital purposes of the Group. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 24 November 2009.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

OUTLOOK

According to the latest forecast released in 2015 by Gartner, a global leading IT research and consultancy firm, global IT spending will reach US$3.8 trillion, representing a growth of 2.4% compared to 2014. At the same time, cloud computing, and big data in terms of technology, products and business models have gradually matured, their development evolving from merely a concept to practical applications. Yet, accompanying this progress has been the information security incidents worldwide and exposure of hidden safety issues, hence, the security risks of information systems have become global in scale, which has also attracted the high concern of the PRC Government. Therefore, the requirements for security, independent and controllable management features of the enterprise IT products are constantly being upgraded.

The vigorous and ever-changing industry environment, is an opportunity but also a challenge to the Group in 2015. While we are rooted in the local community, we always think globally. In order to capture the historical opportunity presented by the increasing security demand of IT products in the PRC market, we will continue to actively participate in national industry innovation. Towards this direction, we are devoting efforts to the research and development of our self-branded software and hardware products, and the introduction of value-added services and IT solutions, which will become part of the core of our business. We are planning to make full use of the newly established solution data centre "E-lab," and based on the in-depth communications and careful analysis of customer needs, to provide high quality customized services to our customers. In the face of the challenges of the era of cloud computing, the Group is fully seizing this opportunity by establishing the cloud computing products division to carry out independent research and development for the private cloud and related products. Last but not least, we will continue our close collaboration with well-known domestic and foreign manufacturers, to offer more diversified products and services to our customers.

The Group will continue to focus efforts on cost control measures and cash flow management to enhance the overall operational cost structure, so as to strengthen its financial position and maximize the interests of the shareholders as a whole.

CORPORATE GOVERNANCE

During the year ended 31 December 2014, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviations from code provision A.2.1.

The Board believes that appointing Mr. Chen Jian as both the chairman and chief executive officer of the Company is conductive to a strong and consistent leadership, which enables the Group to implement decisions and business strategies promptly and efficiently. The Board considers that the present arrangement will not impair the balance of power and authority between the Board and the management of the Company as the proper balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals. Furthermore, the Board meets regularly to discuss major issues affecting the operations of the Group and make collective decisions by majority voting to ensure power is not concentrated in any one individual.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions.

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2014.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2014 have been reviewed by its audit committee, which consists of all the three independent non-executive Directors, was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2014 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

For and on behalf of the Board
Futong Technology Development Holdings Limited
Chen Jian
Chairman

Hong Kong, 20 March 2015

As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Zhang Yun; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Yuan Bo and Mr. Ho Pak Tai Patrick.